

## Community resources

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## Viewing cable 09TBILISI1034, GEORGIA: RUSSIA MOVES IN ON ABKHAZ ECONOMY \

If you are new to these pages, please read an introduction on the [structure of a cable](#) as well as how to [discuss them](#) with others. See also the [FAQs](#)

### Understanding cables

Every cable message consists of three parts:

- The top box shows each cables unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

To understand the justification used for the classification of each cable, please use this [WikiSource](#) article as reference.

### Discussing cables

If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags **#cablegate** and a hash containing the reference ID e.g. **#09TBILISI1034**.

Reference ID	Created	Released	Classification	Origin
<a href="#">09TBILISI1034</a>	<a href="#">2009-06-05 09:07</a>	<a href="#">2011-08-30 01:44</a>	<a href="#">CONFIDENTIAL</a>	<a href="#">Embassy Tbilisi</a>

Appears in these articles:

[http://www.letemps.ch/swiss\\_papers](http://www.letemps.ch/swiss_papers)

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DE RUEHSI #1034/01 1560907

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O 050907Z JUN 09

FM AMEMBASSY TBILISI

TO RUEHC/SECSTATE WASHDC IMMEDIATE 1666

INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY

RUEHBJ/AMEMBASSY BEIJING PRIORITY 0231

RUEKJCS/OSD WASHINGTON DC PRIORITY

RUEHBS/USEU BRUSSELS PRIORITY

RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC PRIORITY

RUEHVEN/USMISSION USOSCE PRIORITY 2278

RUCNDT/USMISSION USUN NEW YORK PRIORITY 4849

2009-06-05 09:07:00 09TBILISI1034 Embassy Tbilisi CONFIDENTIAL 08TBILISI2071 VZCZCXRO1339\

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E.O. 12958: DECL: 06/05/2019 \

TAGS: [ECON](#) [EPET](#) [PREL](#) [KBTS](#) [RS](#) [TU](#) [GG](#)

SUBJECT: GEORGIA: RUSSIA MOVES IN ON ABKHAZ ECONOMY \

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REF: 08 TBILISI 2071 \

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Classified By: Ambassador John F. Tefft for Reasons 1.4(b) and (d). \

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1. (C) Summary and comment. Recent moves suggest an \ increasing Russian interest in exploiting economic \ opportunities in Abkhazia. The Georgian Law on Occupied \ Territories stipulates that all business in Abkhazia be \ conducted pursuant to existing Georgian regulations (reftel), \ but Russian entities apparently believe their government's \ recognition of Abkhazia renders the law inoperative. Rosneft \ secured the rights to explore Abkhaz oil resources, and the \ Russian government has offered millions in loans to Abkhazia \ -- loans that could benefit such companies as Russian \ Railways. Russia plans to help manage the Abkhaz airport -- \ a move that will likely draw Abkhazia closer into Russia's \ Olympic preparations. In an illuminating counterexample, \ Benetton Turkey proposed opening a store in Sukhumi, but \ following vocal protests from the Georgian government and \ Benetton's own Georgian stores, apparently backed down. The \ Georgian government believes highly placed Russians, \ including Prime Minister Putin, stand to benefit directly \ from these deals and is considering its options for a \ response. End summary and comment. \

Rosneft and Abkhaz Oil \

2. (SBU) On May 26, the Russian state-owned Rosneft \ reportedly signed a five-year deal to acquire the rights to \ explore for oil and natural gas off Abkhazia's Black Sea \ coast. Estimates of the recoverable offshore oil reserves \ near Abkhazia range from 80 to 200 million tons. Financial \ details of the agreement have not been released. In 2005, \ the Abkhaz rejected a bid by LUKOil to develop these same \ offshore reserves. The key area for exploration is the \ Abkhaz Black Sea coast. Rosneft plans to build a string of \ gas stations in Abkhazia and sell gasoline, diesel, and \ heating oil. In response, Minister of Economic Development \ Lasha Zhvania issued a public statement, saying, "Any \ commercial activity of any organization in Abkhazia without \ the permission of the central Georgian government is illegal." \

Russian Loans and Abkhaz Infrastructure \

3. (SBU) On May 14, Abkhaz de facto "president" Sergey \ Bagapsh announced in Sochi, Russia that Abkhazia asked Russia \ for a long-term loan, worth approximately USD 31-47 million. \ Prime Minister Putin reportedly agreed to the long-term \ repayment structure. Bagapsh was quoted as saying the funds \ would be allocated for the "development of the Abkhaz banking \ system and the capitalization of the National Bank in order \ to finance small and medium business in the republic." Other \ funds will reportedly go toward the construction of a \ railway, apparently in cooperation with Russian Railways, \ which Bagapsh claimed was critical for the transportation of \ cargo to the facilities for the 2014 Olympic Games in Sochi. \ He added that he is not aware of the role Abkhazia will play \ in the construction itself, but he knows that Turkey is \ prepared to take Abkhaz construction materials. Russia will \ also reportedly be involved in the management of the Sukhumi \ airport. \

Benetton in Sukhumi \

4. (SBU) On May 26, four Benetton stores in Tbilisi closed \ their doors to protest the announced intention of Benetton \ Turkey to open a branch in Sukhumi. Large signs appeared in \ QTurkey to open a branch in Sukhumi. Large signs appeared in \ the stores' windows, reading "Shop closed in protest of the \ opening of a Benetton shop in Sukhumi." Government \ representatives reacted swiftly: Economic Development \ Minister Zhvania publicly condemned the move as again being \ outside the requirements of the Law on Occupied Territories. \ Foreign Minister Grigol Vashadze told the press he did not \ oppose the idea of commercial firms conducting business in \ the occupied territories, but insisted that such actions be \ in line with Georgian law (which would require registration, \ tax identification codes, and payment of taxes to Tbilisi) \ and have the explicit permission of the Georgian government. \ He went on to suggest that any violation would be met with \ legal and commercial consequences. According to the Turkish \ Embassy in Tbilisi, the Foreign Minister also called in the \ Turkish Charge to make a formal complaint about the move. \ Although Zhvania was reportedly scheduled to meet with \ Benetton representatives to discuss the issue, on May 28 \

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Benetton Turkey released a statement saying that it no longer \ planned to open a store in Sukhumi. \

The Government Prepares to Respond \

15. (C) In a May 28 conversation with the Ambassador, Vashadze \ said that Russia made a "big mistake" in entering the Abkhaz \ market with Rosneft and Russian Railways, which he \ characterized as 100 percent state-owned. He noted that \ LUKOil's Alekperov had approached President Saakashvili \ several times in the past about offshore drilling and that \ Saakashvili had always objected until Georgia reclaimed \ control over the Abkhaz territory. Alekperov did not pursue \ the matter further. Vashadze said that the government is \ currently investigating its legal options and, once they were \ clear, would allocate the appropriate resources and go on the \ attack. He also noted that Rosneft is part of what he called \ "Kremlin, Inc," as the Swiss company Gunvor -- in which Putin \ has a stake -- holds significant ownership. \

COMMENT \

16. (C) Abkhaz opposition parties have recently publicly \ criticized Bagapsh's regime for giving away too much of the \ country to Russia -- and those reports came before the \ Rosneft announcement (septel). Of course, investments such \ as Rosneft's could ultimately benefit Abkhazia, but the \ self-declared republic will have little leverage to negotiate \ reasonable terms. Judging by anecdotal evidence, the Abkhaz \ are increasingly nervous about the growing influence of \ Russia's economic might in Abkhazia. The question is to what \ extent the Abkhaz will be willing to tolerate Russian \ economic domination before they start seeking alternate \ partners in earnest. It is likely that realization will come \ too late. The Georgian government understands this and hopes \ to erect legal obstacles to the activities. State-affiliated \ Russian companies seem willing so far to brave the potential \ complications -- but both LUKOil (with its international \ structure that is vulnerable to legal challenges in \ international courts) and Benetton realized that the market \ might be more trouble than it's worth. Nevertheless, even if \ Georgia devises an ingenious strategy to pursue damages \ against Russian companies or their government, it will likely \ need help from its international partners to implement such a \ strategy. \

TEFFT \